

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA  
CONCORDIA PARISH POLICE JURY  
Ferriday, Louisiana**

**General Purpose Financial Statements  
and Auditor's Reports**

**December 31, 2005  
and for the Year then Ended**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/9/06

**SEWERAGE DISTRICT #1 OF CONCORDIA PARISH  
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**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**(A Component Unit of the Concordia Parish Police Jury)**  
**MANAGEMENT DISCUSSION & ANALYSIS (MD&A)**  
**YEAR ENDED DECEMBER 31, 2005**

**INTRODUCTION**

The discussion and analysis (MD&A) of the Sewerage District No. 1 of the Parish of Concordia's financial performance provides an overall narrative review of the District's financial activities for the year ended December 31, 2004 and 2005. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

The office of Sewerage District No. 1 of the Parish of Concordia is located on Mack Moore Road near Ferriday, Louisiana in Concordia Parish.

**FINANCIAL HIGHLIGHTS**

The financial statements included in this report provide insight into the financial status for the year. Based upon the operations of the year ended December 31, 2005, the Sewerage District No. 1 of the Parish of Concordia's net assets increased and resulted in ending net assets of \$7,623,164. During the prior year ended December 31, 2004 net assets increased to a balance of \$5,053,951.

1. The beginning cash balance for the Sewerage District No 1 of the Parish of Concordia was \$155,118. The ending cash balance was \$222,002.
2. The District had \$3,002,742 in revenues, which primarily consisted of a Federal grant of \$2,693,700 and sewerage fees. There were \$433,529 in expenditures including depreciation of \$172,690.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Sewerage District No. 1 of the Parish of Concordia's basic financial statements. The District's basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the financial statements.

**Fund financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net assets presents information showing how the District's net assets changed during the most recent fiscal year.

SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA  
(A Component Unit of the Concordia Parish Police Jury)  
MANAGEMENT DISCUSSION & ANALYSIS (MD&A)  
YEAR ENDED DECEMBER 31, 2005

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 10-19 of this report.

**FUND FINANCIAL ANALYSIS**

Net assets may serve as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$7,623,164 as of December 31, 2005.

**Net Assets**

The current year's financial statements are dramatically different from past years as a result of implementing GASB 34. Attempting to compare this year's data with last year would be misleading to the reader; however the District looks forward to offering comparative data in the future.

The following is a condensed statement of the Sewerage District No. 1 of the Parish of Concordia's net assets as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Current Assets	\$ 183,535	\$ 152,018
Restricted Assets	59,672	23,633
Noncurrent Assets - Capital Assets	<u>10,531,536</u>	<u>8,042,921</u>
<b>Total Assets</b>	<u>10,774,743</u>	<u>8,218,572</u>
 Current Liabilities - Payable from Restricted Assets	 79,482	 70,647
Long-term Liabilities	<u>3,072,097</u>	<u>3,093,974</u>
<b>Total Liabilities</b>	<u>3,151,579</u>	<u>3,164,621</u>
 <b>Net Assets</b>		
Investment in capital assets, net of related debt	7,443,528	4,948,947
Restricted for debt service	36,994	6,805
Unrestricted	<u>142,642</u>	<u>98,199</u>
<b>Total Net Assets</b>	<u>\$ 7,623,164</u>	<u>\$ 5,053,951</u>

**SEWERAGE DISTRICT # 1 OF THE PARISH OF CONCORDIA**  
**(A Component Unit of the Concordia Parish Police Jury)**  
**MANAGEMENT DISCUSSION & ANALYSIS (MD&A)**  
**YEAR ENDED DECEMBER 31, 2005**

The largest portion of the District's net assets (\$7,443,528 or 98%) is its investment in capital assets such as equipment less related debt expended in the acquisition of those assets.

Another portion of the District's net assets (\$36,994 or 1%) is restricted to paying long-term debt. The remaining balance of the net assets (\$142,642 or 1%) may be used to pay current operating expenses and utility deposits.

The District has long-term debt of \$3,088,008 which was used to finance additions to the utility system. More information concerning this debt may be found on pages 14-16 of the notes to the financial statements. Total liabilities of \$3,151,579 are equal to 29% of the total assets of the District.

The business type activities increased the net assets by \$2,569,213. This increase included grants totaling \$2,693,700. This grant was used to purchase capital assets of \$2,661,306 which also were capitalized in the current year and depreciated over the estimated lives of the assets.

The following is a summary of the statement of activities for 2005 and 2004:

	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>		
Sewerage fees	\$ 307,834	\$ 230,223
Interest income	1,208	628
Grants	<u>2,693,700</u>	<u>1,737,460</u>
<b>Total revenues and transfers</b>	<u>3,002,742</u>	<u>1,968,311</u>
<b>Expenses:</b>		
Operating expenses	<u>433,529</u>	<u>252,371</u>
<b>Increase in net assets</b>	2,569,213	1,715,940
<b>Net assets, beginning of year</b>	<u>5,053,951</u>	<u>3,338,011</u>
<b>Net assets, end of year</b>	<u>\$ 7,623,164</u>	<u>\$ 5,053,951</u>

**CAPITAL ASSETS AND DEBT**

As of December 31, 2005, the District had \$10,531,536 invested in capital assets net of accumulated depreciation of \$1,003,774. During the year expenditures of \$2,661,306 were made in connection with the new construction.

As of December 31, 2005, the District had outstanding bonded indebtedness of \$3,088,008. Principal and interest payments of \$149,179 are due to be paid during 2006. This debt consists of two different issues which are secured by a pledge of the sewer system and revenues from sewer fees. The debt is as follows:

**SEWERAGE DISTRICT # 1 OF THE PARISH OF CONCORDIA**  
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**YEAR ENDED DECEMBER 31, 2005**

Original balance of \$1,450,000 issued 2003 at 4 1/4% interest, due monthly at \$6,424	\$ 1,444,770
Original balance of \$1,646,000 issued 2004 at 4 3/8% interest, due monthly at \$7,423 including interest	<u>1,643,238</u>
Total indebtedness	<u>\$ 3,088,008</u>

**REQUEST FOR INFORMATION**

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or request for additional information may be directed to George Jolla, Manager at (318) 757-7507.

**JERI SUE TOSSPON, CPA, LLC**

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**INDEPENDENT AUDITOR'S REPORT**

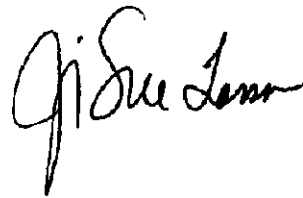
The Board of Commissioners  
Sewerage District #1 of the Parish of Concordia  
Ferriday, Louisiana

I have audited the accompanying financial statements of the business-type activities of the Sewerage District #1 of the Parish of Concordia (Sewer District), as of and for the year ended December 31, 2005, which comprises the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sewer District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Sewer District, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Sewer District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2005.



**SECTION I**  
**BASIC FINANCIAL STATEMENTS**



In accordance with *Government Auditing Standards*, I have also issued my report dated June 14, 2006, on my consideration of the Sewer District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management discussion and analysis on pages 1 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sewer District basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

Ferriday, Louisiana  
June 14, 2006

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**(A Component Unit of the Concordia Parish Police Jury)**  
**STATEMENT OF NET ASSETS-PROPRIETARY FUND**  
**DECEMBER 31, 2005**

**ASSETS**

Current Assets	
Cash (Note 3)	\$ 129,879
Certificates of deposit (Note 3)	32,451
Accounts receivable (Note 4)	21,037
Accrued interest receivable	168
Total Current Assets	<u>\$ 183,535</u>
Non-Current Assets - Restricted Assets (Note 5)	
Bond Debt Service Fund	\$ 28,714
Bond Sinking Fund	4,140
Depreciation Fund	4,140
Consumer Deposits	22,678
Total non-current assets - restricted assets	<u>\$ 59,672</u>
Non-Current Assets - Capital Assets (Note 6)	
Property, plant and equipment	\$ 11,392,423
Land	142,888
Less accumulated depreciation	1,003,775
Total non-current assets - capital assets	<u>\$ 10,531,536</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,774,743</u></b>

**LIABILITIES**

Current Liabilities (Payable from restricted assets)	
Tenant deposits	\$ 22,800
Accrued interest payable	40,771
Notes payable, current portion	15,911
Total current liabilities (payable from restricted assets)	<u>\$ 79,482</u>
Long Term Liabilities (Note 7)	
Notes payable - Phase I	\$ 1,428,859
Notes payable - Phase II	1,843,238
Total long term liabilities	<u>\$ 3,072,097</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 3,151,579</u></b>

**NET ASSETS**

Invested in capital assets, net of related debt	\$ 7,459,439
Restricted for debt service	36,994
Unrestricted	126,731
<b>TOTAL NET ASSETS</b>	<b><u>\$ 7,623,164</u></b>

See accountant's audit report and accompanying notes to financial statements.

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**(A Component Unit of the Concordia Parish Police Jury)**  
**STATEMENT OF REVENUE AND EXPENSES**  
**AND CHANGES IN NET ASSETS - PROPRIETARY FUND**  
**YEAR ENDED DECEMBER 31, 2005**

Operating Revenues:	
Sewerage fees	\$ 307,834
Other income	
	<hr/>
Total Operating Revenues	\$ 307,834
	<hr/>
Operating Expenses:	
Salaries and benefits	\$ 65,846
Operating expenses	37,170
Collection fees	40,296
Utilities	33,490
Commissioners' fees	5,790
Insurance	13,857
Professional fees	4,280
Bond fees and costs	610
Depreciation	172,690
	<hr/>
Total Operating Expense	\$ 374,029
	<hr/>
Net Income (Loss) from Operations	\$ (66,195)
	<hr/>
Nonoperating Revenues and (Expenses)	
Federal funds - grants received, USDA	\$ 2,693,700
Interest	1,208
Interest expense	(59,500)
	<hr/>
Total Nonoperating Revenues and (Expenses)	\$ 2,635,408
	<hr/>
Changes in Net Assets	\$ 2,569,213
	<hr/>
Total Net Assets - Beginning	5,053,951
	<hr/>
Total Net Assets - Ending	\$ 7,623,164
	<hr/>

See accountant's audit report and accompanying notes to financial statements.

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**(A Component Unit of the Concordia Parish Police Jury)**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2005**

Cash flows from operating activities:	
Cash received from sewerage fees	\$ 307,161
Cash received as sewer deposits	5,850
Cash paid to suppliers	<u>(201,339)</u>
Net cash provided by operating activities	<u>\$ 111,672</u>
Cash flows from investing activities	
Additions to fixed assets	<u>\$ (2,589,363)</u>
Net cash used by investing activities	<u>\$ (2,589,363)</u>
Cash flows from capital and related financing activities	
Loans from the USDA, Rural Development	\$ 0
Principal paid on loans	(5,966)
Interest paid on loans	(72,424)
Interest accrued added to fixed assets	(71,943)
Federal and state grants	2,693,700
Interest income	<u>1,208</u>
Net cash provided by financing activities	<u>\$ 2,544,575</u>
Net decrease in cash	<u>\$ 66,884</u>
Cash and certificates of deposit at beginning of year	<u>155,118</u>
Cash and certificates of deposit at end of year	<u><u>\$ 222,002</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ (66,195)
Adjustments to reconcile operating income to	
net cash provided by operating activities:	
Depreciation	172,690
Changes in assets and liabilities:	
Increase in accounts receivable	(673)
Increase in tenant deposits	<u>5,850</u>
Net cash provided by other activities	<u><u>\$ 111,672</u></u>
Interest paid, year ended December 31, 2005	<u><u>\$ 72,424</u></u>

See accountant's audit report and accompanying notes to financial statements.

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As of and for the Year Ended December 31, 2005**

**NOTE 1 - INTRODUCTION**

Sewerage District #1 of the Parish of Concordia (Sewerage District #1) is a part of a financial reporting entity, the Concordia Parish Police Jury. It was created by the Police Jury by Ordinance 460, dated November 22, 1976, to provide public sewerage and waste treatment service to the rural areas of eastern Concordia Parish, in accordance with Louisiana Revised Statute 33:3881.

Sewerage District #1 is governed by a Board of Supervisors, made up of five members who are qualified voters and residents of the District. They are appointed by the members of the Concordia Parish Police Jury to serve at the will of the Police Jury until such time as their successors are appointed and have qualified. They are compensated at the rate of \$60 per meeting for up to 24 regular meetings and up to 12 special meetings per year, with the secretary/treasurer authorized to receive an additional \$25 per month for services rendered to the District.

The District serves more than 950 consumers. They maintain the sewerage treatment facilities and sewer lines of the District. The District employs two full-time employees and part-time employees as needed.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Government-Wide and Fund Financial Statements** - Concordia Waterworks District is a special-purpose government engaged in only business-type activities and, as such, is only required to present fund financial statements.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Concordia Sewer District reports the following proprietary funds:

Sewer - to account for the revenues from customers and expenses of the operation of the sewer plant

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund

financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include:

1. Charges to customers for goods, services, or privileges provided.
2. Operating grants and contributions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer District include charges for water use, penalties for late payment of water bills and charges for connection. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Reporting Entity - As the governing authority of the parish, for reporting purposes, the Concordia Parish Police Jury is the financial reporting entity for Concordia Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Concordia Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organizations governing body, and
  - a. The ability of the police jury to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority

but are fiscally dependent on the police jury.

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints a voting majority of the Sewerage District's board and said board is fiscally dependent on the police jury, the district was determined to be a component unit of the Concordia Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity. As a component unit, the accompanying financial statements could be included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units

D. Cash and Certificates of Deposit - Cash includes amounts in demand deposits and certificates of deposit. The district conducts all its banking transactions with two state-chartered institutions in Concordia Parish.

At December 31, 2005, the Sewerage District #1 had \$222,002 (banks' balance) on deposit at these financial institutions. All cash and certificates of deposit are deposited in financial institutions insured by an agency of the United States Government. Additionally, there is \$368,365 in additional collateral held by the bank in the District's name as required.

E. Inventories - Inventories of materials and supplies are considered to be expenditures at the time of the purchase. Amounts on hand at the financial statement date are immaterial and, therefore, are not included in the balance sheet.

F. Property, Plant and Equipment - Additions to the utility plant in service are recognized at cost, or if contributed property, at their estimated fair market value at the time of contribution. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation of fixed assets used by the Sewerage District is charged as an expense against their operations. Depreciation on assets provided through grant funds (contributed capital) is charged against such capital as provided by Section G60.116 of the GASB Codification.

Depreciation is calculated over the estimated useful life of the assets using the straight line method as follows:

Sewerage system and equipment  
Other assets

30 years  
10 years

G. Income Taxes - Sewerage District #1 is a component unit of the Concordia Parish Police Jury, and, as such, is not subject to federal or state income taxes.

H. Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 3 - CASH AND CERTIFICATES OF DEPOSIT

At December 31, 2005, Sewerage District #1 had cash and certificates of deposit (book balances), totaling \$222,002, as follows:

Demand deposits	\$189,551
Certificates of deposit	<u>32,451</u>
Total	<u>\$222,002</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. At December 31, 2005, the district had \$222,002 in collected bank balances. These deposits are secured from risk by federal deposit insurance and pledged securities.

### NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consists of the monthly billing at January 1, 2006 for sewerage services rendered during December, 2005. These fees are billed by Concordia Waterworks District #1 along with the water billings each month and are paid to the Sewerage District after the first of the next month. Only the current month billings are due at any time and no amount is past due.

### NOTE 5 - RESTRICTED ASSETS

Certain assets were restricted for debt service and consumer deposits. These assets consisted of and are restricted to the following:



Bond debt service	\$ 28,714
Bond sinking fund	4,140
Bond reserve fund	4,140
Consumer deposits	<u>22,678</u>
	<u>\$ 59,672</u>

#### **NOTE 6 - CHANGES IN FIXED ASSETS**

There were changes as follows in the fixed assets of Sewerage District #1 during the year ended December 31, 2005:

	January 1, 2005	Additions	December 31, 2005
Land and ponds	\$ 142,888		\$ 142,888
Sewerage system	8,708,604	\$2,661,306	11,369,910
Other fixed assets	<u>22,514</u>		<u>22,514</u>
	\$8,874,006	\$2,661,306	\$11,535,312
Less accumulated depreciation	<u>831,084</u>	<u>172,690</u>	<u>1,003,774</u>
Net property, plant and equipment	<u>\$8,042,922</u>	<u>\$2,488,616</u>	<u>\$10,531,536</u>

During 1992, the Concordia Parish Police Jury constructed a sanitary sewer system in the Levens Addition Area, Ferriday, Louisiana, financed by a grant from the Louisiana Community Development Block Grant program, to be operated by the Sewerage District. The system was complete and began operation in August, 1992. The Concordia Parish Police Jury transferred the system to the Sewerage District as of January, 1993.

During 1995, the Police Jury constructed another sanitary sewer system in the Doty Road area, Ferriday, Louisiana, financed by a grant from the Louisiana Community Development Block Grant program, to be operated by the Sewerage District. The system was complete and began operation in July, 1995. The Sewerage District operates the system and has collected fees starting in August, 1995. The Concordia Parish Police Jury transferred the system to the Sewerage District as of November, 1995.

In 2003, the Sewer District began Phase I of a long range plan designed to bring sewer service to much of the unserved area in Concordia Parish. The phase was completed in 2005, and Phase II of the plan was begun in mid-2004. The construction is being funded by grants and loans from the United States Department of Agriculture, Rural Development Water and Wastewater Program.

## NOTE 7 - CHANGES IN LONG-TERM DEBT

The following is a summary of the notes payable for the year ended December 31, 2005:

	Note R-1, R-2 & R-3	Note R-1 & R-2	Total
Notes payable at January 1, 2005	\$1,447,974	\$1,646,000	\$3,093,974
Less principal paid	3,204	2,762	5,966
Add amounts borrowed			
Notes payable at December 31, 2005	<u>\$1,444,770</u>	<u>\$1,643,238</u>	<u>\$3,088,008</u>

Long-term debt at December 31, 2005 consists of:

Notes Payable #R-1, R-2 and R-3 - Phase I - Sewer Revenue Bonds due to the United States of America, Rural Development, issued August 21, 2003 in the original amount of \$1,450,000 at an interest rate of 4 1/4% due in monthly installments of \$6,423.50 including amortized principal and interest through August 21, 2043. Interest only is due on August 21, 2004 and 2005. These loans are secured by a pledge of revenues from the sale of sewer services by the district. \$1,444,770

Notes Payable #R-1 and R-2 - Phase II - Sewer Revenue Bond due to the United States of America, Rural Development, issued June 21, 2004 in the original amount of \$1,646,000 at an interest rate of 4 3/8% due in monthly installments of \$7,423.46 including amortized principal and interest through June 21, 2044. Interest only is due on June 21, 2005 and 2006. This loan is secured by a pledge of revenues from the sale of sewer services by the district. 1,643,238

Total notes payable \$3,088,008

The District's proprietary fund bonds are governed by bond indentures, the terms of which are summarized as follows:

### Notes R-1, R-2 & R-3 - Phase I

- A. Sewer Revenue Bond and Interest Sinking Fund (Sinking Fund)  
The district shall transfer monthly in advance on or before the 20<sup>th</sup> day of each month of each year a sum equal to the total amount of principal and interest falling due on the next principal payment date for the Bonds (except during the first year the Bonds are outstanding, a monthly sum equal to one-twelfth (1/12th) of the interest falling due on the first payment date).

**B. Sewer Revenue Bond Reserve Fund (Reserve Fund)**

The district shall transfer monthly in advance on or before the 20<sup>th</sup> day of each month of each year, a sum equal to five percent (5%) of the amount to be paid into the Sinking Fund, to continue until such time as there has been accumulated in the Reserve Fund a sum equal to the highest combined principal and interest falling due in any year on the bonds payable.

**C. Sewer Depreciation and Contingency Fund (Contingency Fund)**

The district shall transfer monthly in advance on or before the 20<sup>th</sup> day of each month of each year, a sum equal to five percent (5%) of the amount to be paid into the Sinking Fund, to continue until such time as there has been accumulated in the Reserve Fund a sum equal to the highest combined principal and interest falling due in any year on the bonds payable, then the monthly payments into the Contingency Fund shall increase by an amount equal to 5% of the amount being paid into the Sinking Fund.

The District is compliance with these covenants.

The annual requirements to retire general long-term debt as of December 31, 2005 are as follows (Phase I only):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 15,911	\$ 61,171	\$ 77,082
2007	16,600	60,482	77,082
2008	17,317	59,765	77,082
2009	18,070	59,012	77,082
2010	18,854	58,228	77,082
Thereafter	<u>1,358,018</u>	<u>1,162,222</u>	<u>2,520,240</u>
	<u>\$1,444,770</u>	<u>\$1,460,880</u>	<u>\$2,905,650</u>

Phase II debt will begin repayment and covenants when the work is completed and accepted.

**NOTE 8 - LITIGATION**

The District is not involved in any litigation at December 31, 2005.

**NOTE 9 - PENSION PLAN**

The two permanent employees of the Sewerage District #1 of the Parish of Concordia are members of the Parochial Employees Retirement System of Louisiana (System), a multiple employer (cost sharing) public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two

distinct plants, Plan A and Plan B, with separate assets and benefit provisions. All employees of the District are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from District funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one percent of final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1980. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The system also provides death and disability benefits. Benefits are established by state statute.

Contributions to the system include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. State statute requires covered employees to contribute a percentage of their salaries to the System. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year.

The following provides certain disclosures for the Sewerage District and Plan A of the retirement system that are required by GASB Codification Section P20.129:

	Year ended December 31, 2005	
Total current year payroll	\$49,424	
Total current year covered payroll	\$48,866	
Contributions:		
Required by statute:		
Employees*	9.50%	\$ 4,642
Employer	12.75%	5,742
Total	21.25%	\$ 10,385
*In excess of \$100 per month		
Actual:		
Employees	9.50%	\$ 4,642
Employer	12.75%	5,742
Total	21.25%	\$ 10,384
Actuarially required:		
Employees	9.50%	\$ 4,642
Employer	12.39%	5,899
Total	20.72%	\$ 10,541

Plan totals

	Year ended December 31, 2004	
Actuarial Value of Assets	\$	1,364,795,086
Actuarial Accrued Liability		1,460,244,238
Unfunded Actuarial Accrued Liability	\$	95,449,152

The pension benefit obligation information is presented as of December 31, 2004, as the December 31, 2005 information is not yet available. The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rated benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of asset and pension benefit obligations for individual employers.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 2004 comprehensive annual financial report. The District does not guarantee the benefits granted by the System.

**SECTION II**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING**

**JERI SUE TOSSPON, CPA, LLC**

Certified Public Accountant  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS.**

The Board of Commissioners  
Sewerage District #1 of Concordia Parish  
Ferryday, Louisiana

I have audited the financial statement of the Sewerage District #1 of Concordia Parish (Sewer District) as of and for the year ended December 31, 2005, and have issued my report thereon dated June 14, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Sewer District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I did note an immaterial matter of internal control that I noted to management in a separate letter dated June 14, 2006.

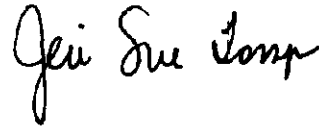
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Sewer District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions



was not an objective on my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances on noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Commissioners, Legislative Auditor, lenders and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:413, this document may be distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script, reading "Jui Sue Long".

Ferriday, Louisiana

June 14, 2006

### **SECTION III**

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**OTHER REPORTS REQUIRED BY THE SINGLE AUDIT ACT**

# **JERI SUE TOSSPON, CPA, LLC**

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## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Commissioners  
Sewerage District #1 of Concordia Parish  
Ferryday, Louisiana

### **Compliance**

I have audited the compliance of the Sewerage District #1 of Concordia Parish, Ferryday, Louisiana, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2005. The Sewerage District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Sewerage District's management. My responsibility is to express an opinion on the Sewerage District's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sewerage District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Sewerage District's compliance with those requirements.

In my opinion, Sewerage District #1 of the Parish of Concordia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

### **Internal Control Over Compliance**

The management of the Sewerage District, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Sewerage District's internal control over compliance with requirements that

could have a direct and material effect over a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

#### **Schedule of Expenditures of Federal Awards**

I have audited the general purpose financial statements of the Sewerage District as of and for the year ended December 31, 2005 and have issued my report thereon dated June 16, 2006. My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of the Sewerage District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as whole.

This report is intended solely for the information and use of the management, others within the organization, members of the Board of Commissioners, members of the Police Jury, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:413, this document may be distributed by the Legislative Auditor as a public document.

*Gi Sue Long*

June 16, 2006

**Sewerage District #1 of Concordia Parish**  
**Schedule of Findings and Questioned Costs**  
**Year ended December 31, 2005**

**Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Sewerage District.
2. No reportable conditions disclosed during the audit of the general purpose financial statements were reported.
3. No instances of noncompliance material to the general purpose financial statements of the Sewerage District were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs were reported.
5. The auditor's report on compliance for the major federal award programs for the Sewerage District expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for the Sewerage District are reported in this Schedule.
7. The programs tested as major programs included:

*Department of Agriculture, Water and Waste Disposal Systems for Rural Communities, CFDA 10.760*
8. The threshold for distinguishing between Types A and B programs was \$500,000.
9. The Sewerage District was determined to be a low-risk auditee.

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended December 31, 2005

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Program Amount	Beginning Balance at January 1, 2005	Receipts	Expenditures	Ending Balance at December 31, 2005
United States Department of Agriculture Water and Waste Disposal Systems for Rural Communities	10.760	\$ 11,690,880	\$ 46,138	\$ 2,693,700	\$ 2,687,291	\$ 52,547
			\$ 46,138	\$ 2,693,700	\$ 2,687,291	\$ 52,547

See accompanying notes to the Schedule of Expenditures of Federal Awards.

## **SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**

Notes to Schedule of Expenditures of Federal Awards

As of and For the Year ended December 31, 2005

### **NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Sewerage District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

### **NOTE 2 - RECEIPTS**

Receipts from the United States Department of Agriculture, Water and Waste Disposal Systems for Rural Communities during the fiscal year ended December 31, 2005 were as follows:

	<u>Loans</u>	<u>Grants</u>
2003 Program		
R-1		<u>\$ 265,000</u>
2004 Program		
R-1		<u>\$2,428,700</u>

**SECTION IV**  
**SUPPLEMENTAL INFORMATION**



**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA  
SCHEDULE OF COMMISSIONERS' COMPENSATION  
YEAR ENDED DECEMBER 31, 2005**

Mr. Eddie Turner, President	\$1,170
Mr. Ellis Taylor	1,170
Mr. Roy Wagoner	1,170
Mr. Rodney Mathews	1,110
Mr. Harry Greer, Secretary/Treasurer	<u>1,170</u>
	<u>\$5,790</u>

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**Board of Commissioners and Management  
Sewerage District #1 of the Parish of Concordia  
Ferriday, Louisiana**

I have audited the financial statements of the Sewerage District #1 of the Parish of Concordia (Sewer District) for the year ended December 31, 2005, and have issued my reports dated June 14, 2006. As a part of my examination, I made a study and evaluation of the Sewer District's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements. My study was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Sewer District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purposes described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Sewer District taken in as a whole. However, my study and evaluation disclosed no condition that I believed to be a material weakness.

My comments on specific financial and accounting matters and recommendations developed during my examination which do not represent material weaknesses, are detailed below.

## **CURRENT FINDINGS**

### **1. RESERVE/CONTINGENCY FUNDS**

During my audit, it was noted that these funds are not interest bearing. Changing the accounts would generate more funds to be held for the future maintenance and operations of the district.

### **MANAGEMENT RESPONSE**

Management will contact the bank to change these accounts.

### **2. INVOICES**

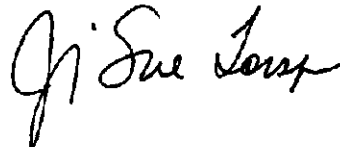
While testing cash disbursements, several invoices for immaterial items were not presented. Every expenditure of funds needs to be supported by some type of documentation.

### **MANAGEMENT RESPONSE**

Management will ensure that documentation is obtained for all expenditures.

This report is intended for the use of the Sewer District's management and others within the organization.

I thank all the personnel at the Sewer District for their cooperation during my examination.

A handwritten signature in black ink, appearing to read "J. Sue Long". The signature is written in a cursive, flowing style.

Ferriday, Louisiana  
June 14, 2006